

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Nashville	County Barry
Fiscal Year End 2-28-07	Opinion Date 5-18-07	Date Audit Report Submitted to State 8-6-07	

We affirm that:

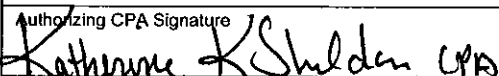
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	N/A	
Other (Describe)		<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC		Telephone Number 269-945-9452		
Street Address 525 W Apple St		City Hastings	State MI	Zip 49058
Authorizing CPA Signature 		Printed Name Katherine K Sheldon, CPA		License Number 1101023575

**VILLAGE OF NASHVILLE**  
**FINANCIAL STATEMENTS**  
For the year ended February 28, 2007

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**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of Nashville  
Barry County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Nashville, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Nashville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Nashville, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2007, on our consideration of the Village of Nashville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management discussion and analysis and required supplementary information list in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Nashville's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Nashville, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
May 18, 2007

*Walker, Fluke & Sheldon, PLC*

## Village of Nashville Management Discussion and Analysis

As the Village Council of the Village of Nashville, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Nashville for the fiscal year ended February 28, 2007. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

### Financial Highlights

- The assets of Village of Nashville exceeded its liabilities at the close of the most recent fiscal year by \$5,345,110 (net assets) compared to \$5,335,629 last year. Of this amount, \$776,555 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,481 compared to a decrease of \$33,929 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$625,026; an increase of \$51,244 compared to an ending fund balance of \$573,782 a decrease of \$160,843 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$145,662 or 28.02% of total general fund expenditures. Last year the unreserved fund balance for the general fund was \$117,491 or 19.88% of total general fund expenditures. Because of the increase in fund balance from the prior year, the Village is in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

### Overview of the Financial Statements

The Village of Nashville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Nashville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: government funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Nashville maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets and Local Streets, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-11 of this report.

**Proprietary funds.** The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, both of which are considered to be major funds of the Village. The proprietary fund financial statements can be found on pages 12-15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The fiduciary fund financial statement can be found on page 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 17-30 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Village adopts an annual budget for its general fund, major street fund and local street fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 31-34 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 35-45.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Nashville, assets exceeded liabilities by \$5,345,110 at the close of the most recent fiscal year.

\$776,555 of the Village's net assets (14.53 percent) reflects its unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net assets (6.17 percent) reflects restricted net assets \$330,001, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net assets (79.30 percent) reflects its investment in capital assets \$4,238,554 (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Village of Nashville's Condensed Financial Data**

	<b>Governmental</b>		<b>Business-Type</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and Other Assets	\$ 689,878	\$ 633,950	\$ 485,271	\$ 492,657
Capital Assets	<u>704,406</u>	<u>737,455</u>	<u>5,596,148</u>	<u>5,694,107</u>
Total Assets	<u>1,394,284</u>	<u>1,371,405</u>	<u>6,081,419</u>	<u>6,186,764</u>
Short-Term Liabilities	33,497	17,851	147,974	140,033
Long-Term Liabilities	<u>2,122</u>	<u>1,656</u>	<u>1,947,000</u>	<u>2,063,000</u>
Total Liabilities	<u>35,619</u>	<u>19,507</u>	<u>2,094,974</u>	<u>2,203,033</u>
Net Assets				
Invested in Capital Assets,				
Net of Related Debt	704,406	737,455	3,534,148	3,524,107
Restricted	19,697	26,340	310,304	273,357
Unrestricted	<u>634,562</u>	<u>588,103</u>	<u>141,993</u>	<u>186,267</u>
Total Net Assets	<u>\$ 1,358,665</u>	<u>\$ 1,351,898</u>	<u>\$ 3,986,445</u>	<u>\$ 3,983,731</u>
Program Revenues				
Charges for Services	\$ 22,043	\$ 19,649	\$ 454,676	\$ 457,306
Operating Grants and Contributions	126,589	130,444	-	-
Capital Grants and Contributions	-	-	57,047	6,643
General Revenues				
Property Taxes	295,422	286,275	-	-
Licenses and Permits	3,551	3,353	-	-
State Grants	188,742	190,525	-	-
Investment Income	6,331	5,844	5,156	-
Other	<u>72,429</u>	<u>59,652</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>715,107</u>	<u>695,742</u>	<u>516,879</u>	<u>463,949</u>
Program Expenses				
Governmental Activities				
Legislative	30,513	22,876	-	-
General Government	82,436	69,613	-	-
Public Safety	222,112	231,987	-	-
Public Works	274,111	247,022	-	-
Health and Welfare	16,000	16,000	-	-
Recreational and Cultural	26,596	27,392	-	-
Other	56,572	54,832	-	-
Loss on Disposal	-	-	-	3,242
Business-Type Activities				
Water	-	-	224,947	227,914
Sewer	-	-	206,888	206,295
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>82,330</u>	<u>86,447</u>
Total Expenses	<u>708,340</u>	<u>669,722</u>	<u>514,165</u>	<u>523,898</u>
Change in Net Assets	<u>\$ 6,767</u>	<u>\$ 26,020</u>	<u>\$ 2,714</u>	<u>\$ (59,949)</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

**Governmental activities.** Governmental activities increased the Village's net assets by \$6,767; mainly due to the fact revenues were up slightly and controlled responsible spending by the Village Council.

For the most part, expenses were comparable with prior year. Legislative expenditures up due to increased legal fees. General government up due to increased costs with the cemeteries. Public safety was down due to the completion of the master plan in the prior year and public works was up due to depreciation of infrastructure assets.



**Business-Type activities.** Business-type activities increased the Village's net assets by \$2,714 mainly due to federal and state funds totaling \$57,047 the Village received for the water main project. Without this net assets would have decreased by \$54,333 due to the fact that water and sewer rates are not high enough to support the corresponding expenses of those funds.

#### **Financial Analysis of the Village's Funds**

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$625,026, an increase of \$51,244. Last year, the Village's governmental funds combined ending fund balance was \$573,782, which was a decrease of \$160,843.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$145,662 and the total fund balance was \$358,233. Unreserved fund balance represents 28.02% of the total general fund expenditures.

The fund balance of the Village's general fund decreased by \$2,393 during the current fiscal year, mainly due to the Village Council monitoring revenues and expenses on a monthly basis.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted net assets of \$89,522. The Water Fund had an increase in net assets of \$40,979. The Village's Sewer Fund reported unrestricted net assets of \$54,271 at the end of the year. The Sewer Fund had a decrease in net assets of \$38,265. The Village recognizes the declines in the water and sewer funds and is in the process of bringing water and sewer rates to where they need to be.

#### **General Fund Budgetary Highlights**

The amended general fund revenue budget increased from the original budget by \$33,491 mainly due to an amendment for an increase in taxes and penalties and a decrease in charges for services and other minor changes. The general fund expenditures increased \$44,339 between the original budget and the final budget. The majority of the changes in appropriations can be summarized with the following:

- \$6,720 increase to library
- \$18,237 increase to police
- \$16,400 increase to locally administered streets
- \$7,850 increase to garage and maintenance
- \$27,432 increase to insurance, bonds and fringes
- \$40,600 decrease to sidewalk replacement

The majority of budget amendments were to police and garage and maintenance for increase in police coverage and capital outlay purchases.

During the year revenues and expenditures were less than budgetary estimates. Operating transfers to other funds resulted in a need to draw upon fund balance in the general fund.

#### **Capital Assets**

The Village's investment in capital assets for its governmental activities as of February 28, 2007, amounts to \$704,406 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included a computer, library roof, mower and electrical improvements. Details of the Village's capital assets are continued in the notes to the financial statements on page 25-27.

### **Long-Term Debt**

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$2,062,000 and general obligation debt of \$9,365. The Village's debt represents bonds secured by specified revenue sources and compensated absences, respectively.

#### **The Village's Outstanding Debt General Obligation and Revenue Bonds**

	Governmental-Type Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Primary Government:						
Revenue Bonds	\$ -	\$ -	\$ 2,062,000	\$ 2,170,000	\$ 2,062,000	\$ 2,170,000
Compensated Absences	9,365	6,644	-	-	9,365	6,644
Total	\$ 9,365	\$ 6,644	\$ 2,062,000	\$ 2,170,000	\$ 2,071,365	\$ 2,176,644

The Village's debt decreased by \$105,279 (4.84%) during the current fiscal year. The net reduction was mainly attributable to making debt service payments as they came due.

Additional information on the Village's long-term debt can be found on pages 28 of the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2007-2008 fiscal year. The Village budgeted for a decrease in state-shared revenue. The Village's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue. The Village has planned for automatic cost of living increases in water and sewer rates. The Village has plans to purchase a new police car for approximately \$22,000. There are also plans to move sewer mains at a 40/60 match, resulting in a cost of roughly \$50,000. At this time, the Village has no other plans for any large construction projects in the current year. These factors were considered in preparing the Village's budget for the 2007-2008 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of Village of Nashville's finances for all those with an interest in the village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Village of Nashville, 203 N Main Street, Nashville, MI 49073. 517-852-9544

**VILLAGE OF NASHVILLE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
February 28, 2007

<b>ASSETS</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 522,445	\$ 136,828	\$ 659,273
Investments	2,000	-	2,000
Receivables (Net)			
Taxes - Delinquent	36,882	-	36,882
Special Assessment	1,716	-	1,716
Accounts		47,411	47,411
Connection Fees	-	1,487	1,487
Due From State	80,644	-	80,644
Due From Other Funds	15,735	-	15,735
Internal Balances	10,759	(10,759)	-
Restricted Assets	19,697	310,304	330,001
Capital Assets (Net of Accumulated Depreciation)	<u>704,406</u>	<u>5,596,148</u>	<u>6,300,554</u>
Total Assets	<u>1,394,284</u>	<u>6,081,419</u>	<u>7,475,703</u>
<b>LIABILITIES</b>			
Accounts Payable	10,519	-	10,519
Accrued Liabilities	-	31,627	31,627
Due To Other Funds	15,735	-	15,735
Due To State	-	1,347	1,347
Noncurrent Liabilities			
Due Within One Year	7,243	115,000	122,243
Due In More Than One Year	<u>2,122</u>	<u>1,947,000</u>	<u>1,949,122</u>
Total Liabilities	<u>35,619</u>	<u>2,094,974</u>	<u>2,130,593</u>
<b>NET ASSETS</b>			
Net Assets			
Invested in Capital Assets, Net of Related Debt	704,406	3,534,148	4,238,554
Restricted for Debt Service	-	310,304	310,304
Restricted for Locally Administered Streets	19,697	-	19,697
Unrestricted	<u>634,562</u>	<u>141,993</u>	<u>776,555</u>
Total Net Assets	<u>\$ 1,358,665</u>	<u>\$ 3,986,445</u>	<u>\$ 5,345,110</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
February 28, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities							
Legislative	\$ 30,513	\$ -	\$ -	\$ -	\$ (30,513)	\$ -	\$ (30,513)
General Government	82,436	11,888	-	-	(70,548)	-	(70,548)
Public Safety	222,112	3,741	-	-	(218,371)	-	(218,371)
Public Works	274,111	6,414	126,589	-	(141,108)	-	(141,108)
Health and Welfare	16,000	-	-	-	(16,000)	-	(16,000)
Recreational and Cultural	26,596	-	-	-	(26,596)	-	(26,596)
Other	56,572	-	-	-	(56,572)	-	(56,572)
Total Governmental Activities	<u>708,340</u>	<u>22,043</u>	<u>126,589</u>	<u>-</u>	<u>(559,708)</u>	<u>-</u>	<u>(559,708)</u>
Business-type Activities							
Water	224,947	270,081	-	57,047	-	102,181	102,181
Sewer	206,888	184,595	-	-	-	(22,293)	(22,293)
Interest and Fiscal Charges	82,330	-	-	-	-	(82,330)	(82,330)
Total Business-type Activities	<u>514,165</u>	<u>454,676</u>	<u>-</u>	<u>57,047</u>	<u>-</u>	<u>(2,442)</u>	<u>(2,442)</u>
Total Primary Government	<u>\$ 1,222,505</u>	<u>\$ 476,719</u>	<u>\$ 126,589</u>	<u>\$ 57,047</u>	<u>(559,708)</u>	<u>(2,442)</u>	<u>(562,150)</u>
General Revenues							
Taxes and Penalties					295,422	-	295,422
Licenses and Permits					3,551	-	3,551
State Grants					188,742	-	188,742
Investment Income					6,331	5,156	11,487
Other					72,429	-	72,429
Total General Revenue					<u>566,475</u>	<u>5,156</u>	<u>571,631</u>
Change in Net Assets					6,767	2,714	9,481
Net Assets-Beginning					<u>1,351,898</u>	<u>3,983,731</u>	<u>5,335,629</u>
Net Assets-Ending					<u>\$ 1,358,665</u>	<u>\$ 3,986,445</u>	<u>\$ 5,345,110</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**GOVERNMENT FUND BALANCE SHEET**  
**February 28, 2007**

		Major	Local	Non-Major	Total
	General	Streets	Streets	Governmental	Governmental
<b>ASSETS</b>				Funds	Funds
Cash and Cash Equivalents	\$ 285,756	\$ 135,323	\$ 117,261	\$ 3,802	\$ 542,142
Investments	-	-	-	2,000	2,000
Receivables (Net)					
Taxes - Delinquent	36,882	-	-	-	36,882
Special Assessment	1,716	-	-	-	1,716
Due From State	57,111	17,279	6,254	-	80,644
Due From Other Funds	26,494	-	-	-	26,494
<b>Total Assets</b>	<b>\$ 407,959</b>	<b>\$ 152,602</b>	<b>\$ 123,515</b>	<b>\$ 5,802</b>	<b>689,878</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts Payable	\$ 10,519	\$ -	\$ -	\$ -	\$ 10,519
Due To Other Funds	609	7,329	7,554	243	15,735
Deferred Revenue	38,598	-	-	-	38,598
<b>Total Liabilities</b>	<b>49,726</b>	<b>7,329</b>	<b>7,554</b>	<b>243</b>	<b>64,852</b>
Fund Balances					
Reserved	19,697	-	-	-	19,697
Designated	192,874	-	-	-	192,874
Unreserved-Undesignated	145,662	145,273	115,961	5,559	412,455
<b>Total Fund Balances</b>	<b>358,233</b>	<b>145,273</b>	<b>115,961</b>	<b>5,559</b>	<b>625,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 407,959</b>	<b>\$ 152,602</b>	<b>\$ 123,515</b>	<b>\$ 5,802</b>	

**Reconciliation of the Governmental Fund's Balance Sheet to the Statement of Net Assets:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$1,160,979	
Less: Accumulated Depreciation	<u>456,573</u>	704,406

Compensated absences are not due and payable in the current period and therefore are not reported in the funds (9,365)

Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities 38,598

Net Assets of Governmental Activities \$ 1,358,665

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**GOVERNMENT FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended February 28, 2007**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes and Penalties	\$ 304,129	\$ -	\$ -	\$ -	\$ 304,129
Licenses and Permits	3,551	-	-	-	3,551
State Grants	188,742	91,951	34,638	-	315,331
Charges for Services	6,414	-	-	11,888	18,302
Fines and Forfeitures	3,741	-	-	-	3,741
Interest and Rentals	5,132	475	629	95	6,331
Other Revenue	<u>65,805</u>	<u>2,873</u>	<u>2,923</u>	<u>828</u>	<u>72,429</u>
<b>Total Revenues</b>	<u>577,514</u>	<u>95,299</u>	<u>38,190</u>	<u>12,811</u>	<u>723,814</u>
<b>Expenditures</b>					
Legislative	30,513	-	-	-	30,513
General Government	57,068	-	-	16,635	73,703
Public Safety	216,045	-	-	199	216,244
Public Works	107,616	59,175	74,384	-	241,175
Health and Welfare	16,000	-	-	-	16,000
Recreation and Cultural	23,210	-	-	-	23,210
Other	56,572	-	-	-	56,572
Capital Outlay	<u>12,883</u>	<u>-</u>	<u>-</u>	<u>2,270</u>	<u>15,153</u>
<b>Total Expenditures</b>	<u>519,907</u>	<u>59,175</u>	<u>74,384</u>	<u>19,104</u>	<u>672,570</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>57,607</u>	<u>36,124</u>	<u>(36,194)</u>	<u>(6,293)</u>	<u>51,244</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	95,513	40,000	15,000	5,000	155,513
Operating Transfers (Out)	<u>(155,513)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(155,513)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(60,000)</u>	<u>40,000</u>	<u>15,000</u>	<u>5,000</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(2,393)</u>	<u>76,124</u>	<u>(21,194)</u>	<u>(1,293)</u>	<u>51,244</u>
<b>Fund Balance-March 1, 2006</b>	<u>360,626</u>	<u>69,149</u>	<u>137,155</u>	<u>6,852</u>	<u>573,782</u>
<b>Fund Balance-February 28, 2007</b>	<u>\$ 358,233</u>	<u>\$ 145,273</u>	<u>\$ 115,961</u>	<u>\$ 5,559</u>	<u>\$ 625,026</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the Year Ended February 28, 2007**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$</b>	<b>51,244</b>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds			(8,707)
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds			(2,721)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:			
Expenditures for capital assets	\$	21,070	
Less: Current year depreciation		<u>54,119</u>	<u>(33,049)</u>
<b>Change in Net Assets of Governmental Funds</b>		<b>\$</b>	<b><u>6,767</u></b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUNDS STATEMENT OF NET ASSETS**  
**February 28, 2007**

	Enterprise Funds		
	Sewer System	Water System	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 43,643	\$ 93,185	\$ 136,828
Receivables (Net)			
Accounts	20,291	27,120	47,411
Connection Fees	-	1,487	1,487
Other	-	-	-
Restricted Assets	129,584	180,720	310,304
Capital Assets (Net of Accumulated Depreciation)	<u>2,627,317</u>	<u>2,968,831</u>	<u>5,596,148</u>
Total Assets	<u>\$ 2,820,835</u>	<u>\$ 3,271,343</u>	<u>\$ 6,092,178</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accrued Liabilities	\$ 6,265	\$ 25,362	\$ 31,627
Due to Other Funds	5,198	5,561	10,759
Due to State	-	1,347	1,347
Bonds Payable	<u>385,000</u>	<u>1,677,000</u>	<u>2,062,000</u>
Total Liabilities	<u>396,463</u>	<u>1,709,270</u>	<u>2,105,733</u>
Net Assets			
Net Assets			
Investment in Capital Assets, Net of Related Debt	2,242,317	1,291,831	3,534,148
Restricted for Debt Service	129,584	180,720	310,304
Unrestricted	<u>52,471</u>	<u>89,522</u>	<u>141,993</u>
Total Net Assets	<u>2,424,372</u>	<u>1,562,073</u>	<u>3,986,445</u>
Total Liabilities and Net Assets	<u>\$ 2,820,835</u>	<u>\$ 3,271,343</u>	<u>\$ 6,092,178</u>

The Notes to Financial Statements are an integral part of this statement.



**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended February 28, 2007**

	<b>Enterprise Funds</b>		
	<b>Sewer System</b>	<b>Water System</b>	<b>Total</b>
Operating Revenues			
Charges for Services	\$ 180,197	\$ 256,687	\$ 436,884
Other Operating Revenue	<u>4,398</u>	<u>13,394</u>	<u>17,792</u>
Total Operating Revenues	<u>184,595</u>	<u>270,081</u>	<u>454,676</u>
Operating Expenses			
Administration	21,406	21,062	42,468
Salaries and Fringe Benefits	46,975	68,527	115,502
Supplies	12,462	15,750	28,212
Contractual Services	2,500	2,500	5,000
Maintenance and Repairs	9,834	11,141	20,975
Miscellaneous	124	764	888
Depreciation	<u>113,587</u>	<u>105,203</u>	<u>218,790</u>
Total Operating Expenses	<u>206,888</u>	<u>224,947</u>	<u>431,835</u>
Operating Income	<u>(22,293)</u>	<u>45,134</u>	<u>22,841</u>
Nonoperating Revenues (Expenses)			
Interest Earned on Investments	3,468	1,688	5,156
Interest Expense	<u>(19,440)</u>	<u>(62,890)</u>	<u>(82,330)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,972)</u>	<u>(61,202)</u>	<u>(77,174)</u>
Income (Loss) Before Contributions and Transfers	(38,265)	(16,068)	(54,333)
Capital Contributions	<u>-</u>	<u>57,047</u>	<u>57,047</u>
Change in Net Assets	(38,265)	40,979	2,714
Net Assets-March 1, 2006	<u>2,462,637</u>	<u>1,521,094</u>	<u>3,983,731</u>
Net Assets-February 28, 2007	<u>\$ 2,424,372</u>	<u>\$ 1,562,073</u>	<u>\$ 3,986,445</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS**  
**For the Year Ended February 28, 2007**

	<b>Enterprise Funds</b>		
	<b>Sewer System</b>	<b>Water System</b>	<b>Total</b>
Cash Flows From Operating Activities:			
Cash Charges for Services	\$ 187,759	\$ 260,719	\$ 448,478
Other Operating Revenue	4,398	13,394	17,792
Administrative Costs	(21,406)	(21,062)	(42,468)
Cash Payments to Employees for Services	(46,975)	(68,527)	(115,502)
Cash Payments to Suppliers for Goods and Services	(27,233)	(27,173)	(54,406)
Miscellaneous Expenses	(124)	(764)	(888)
Net Cash Provided by Operating Activities	<u>96,419</u>	<u>156,587</u>	<u>253,006</u>
Cash Flows From Capital and Related Financing Activities:			
Payment of Principal	(45,000)	(63,000)	(108,000)
Payment of Interest	(19,440)	(62,890)	(82,330)
Net Cash Used by Capital and Related Financing Activities	<u>(64,440)</u>	<u>(125,890)</u>	<u>(190,330)</u>
Cash Flows From Investing Activities:			
Interest Earned on Cash Equivalents and Investments	3,468	1,688	5,156
Purchase of Fixed Assets	(25,547)	(38,237)	(63,784)
Net Cash Provided (Used) by Investing Activities	<u>(22,079)</u>	<u>(36,549)</u>	<u>(58,628)</u>
Net Increase in Cash and Cash Equivalents	9,900	(5,852)	4,048
Cash and Cash Equivalents at Beginning of the Year (Including \$96,629 in restricted sewer accounts) (Including \$178,728 in restricted water accounts)	<u>163,327</u>	<u>279,757</u>	<u>443,084</u>
Cash and Cash Equivalents at End of the Year (Including \$129,584 in restricted sewer accounts) (Including \$180,720 in restricted water accounts)	<u>\$ 173,227</u>	<u>\$ 273,905</u>	<u>\$ 447,132</u>

**Supplemental Disclosure**

**Noncash Investing Transaction:**

The Village acquired an infrastructure asset in the amount of \$57,047, from capital contributions received from federal and state governments

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS (Continued)**  
**For the Year Ended February 28, 2007**

	<b>Enterprise Funds</b>		
	<b>Sewer System</b>	<b>Water System</b>	<b>Total</b>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ (22,293)	\$ 45,134	\$ 22,841
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities:			
Depreciation	113,587	105,203	218,790
Decrease (Increase) in Accounts Receivable	7,562	4,032	11,594
Increase (Decrease) in Accrued Liabilities	(690)	(716)	(1,406)
Increase (Decrease) in Due to Other Funds	(1,747)	1,587	(160)
Increase (Decrease) in Due to State	-	1,347	1,347
Net Cash Provided by Operating Activities	<u>\$ 96,419</u>	<u>\$ 156,587</u>	<u>\$ 253,006</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**FIDUCIARY FUNDS STATEMENT OF NET ASSETS**  
**February 28, 2007**

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<u><b>ASSETS</b></u>	<u><b>Trust and Agency</b></u>
Investments-at Fair Value	
Other Investments	\$ <u>40,216</u>
Total Assets	\$ <u>40,216</u>
 <u><b>LIABILITIES</b></u>	
Current Liabilities	
Due to Employees for Deferred Compensation	\$ <u>40,216</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Nashville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Nashville:

**REPORTING ENTITY**

The Village of Nashville was organized in 1869 and covers an area of 2.1 square miles. The Village operates under an elected council of seven members and provides services to its almost 1,700 residents in many areas including police and fire protection and highway and street maintenance. Education services are provided to citizens through several local school districts that are separate governmental entities. Fire and ambulance service is provided by Castleton Township, Maple Grove Township and the Village of Nashville Fire Board and Ambulance Board. The local units are assessed for their respective share of the Boards' expenditures. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Village, there are no component units to be included in these financial statements.

**JOINT VENTURES**

**Ambulance Department**

The Village of Nashville has entered into a joint venture agreement with Castleton Township and Maple Grove Township for the ownership, operation and maintenance of an ambulance department, equipment and housing. Each municipality appoints two members from their legislative bodies to act as the ambulance board. Said board has the general supervision of equipment, finances and policies of the department. Equipment and housing is the property of the two townships. Funds for equipment and housing, when not available from other means, are provided by the two townships as follows: Castleton - two-thirds; Maple Grove - one-third. Operating expenses, when not available from other means are shared equally by the three municipalities. A true and accurate account of the expenditures is kept by the ambulance board and reported to the various municipalities from time to time, at least annually.

The following financial information of the joint venture is as of and for the year ending March 31, 2006:

Total Assets	\$ 173,047	Total Revenues	\$ 227,353
Total Liabilities	\$ 1,373	Total Expenditures	\$ 236,447
Total Net Assets	\$ 171,674	Increase (Decrease) in Net Assets	\$ (9,094)
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ 4,297

**Fire Department**

The Village of Nashville has entered into a joint venture agreement with Castleton Township and Maple Grove Township for the operation and maintenance of certain fire fighting equipment and apparatus. Each municipality appoints two members from their legislative bodies to act as the fire board. The fire board has the authority to exercise policy making powers over the fire fighting equipment and also exercise control and supervision over the financial affairs of the fire department. The equipment is manned and operated by the personnel of the Nashville Fire Department, under the general supervision of the fire board. The total cost of operation of the fire department is shared equally by the three municipalities. A true and accurate account of the expenditures is kept by the fire board and reported to the various municipalities from time to time, at least annually.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**JOINT VENTURES (Continued)**

The following financial information of the joint venture is as of and for the year ending March 31, 2006:

Total Assets	\$ 273,310	Total Revenues	\$ 77,002
Total Liabilities	\$ 144	Total Expenditures	\$ 96,805
Total Net Assets	\$ 273,166	Increase (Decrease) in Net Assets	\$ (19,803)
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ 2,584

**Transfer and Recycling**

The Village of Nashville has entered into a joint venture with Castleton Township and Maple Grove Township for the operation and maintenance of a transfer and recycling facility. Each municipality appoints two representatives from their legislative bodies to act as the combined facility board. The combined board has the authority to set policies for its own operation, and also has the authority to regulate, control, set fees and otherwise govern the facility. Cost of construction and/or improvements to property are shared two-thirds by Castleton Township and one-third by Maple Grove Township. Operation costs are shared equally by each unit of government if not covered by fees charged. Any surplus of fees charged remains with the combined facility board to be used for operation, improvements or expansion. This joint venture is perpetual until terminated by joint action of all units or by an individual unit not less than one year after its notice thereof. Any unit terminating their part of the arrangement forfeits their share of investments.

The following financial information of the joint venture is as of and for the year ending March 31, 2004:

Total Assets	\$ 8,085	Total Revenues	\$ 45,600
Total Liabilities	\$ 85	Total Expenditures	\$ 38,648
Total Net Assets	\$ 8,000	Increase (Decrease) in Net Assets	\$ 6,952
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ 2,695

**Library**

The Village of Nashville has entered into a joint venture agreement with Castleton Township and Maple Grove Township for the operation and maintenance of the Putnam District Library. The Village agrees to budget \$2,000 annually to the library with an accumulation of not greater than \$10,000 for major repairs to the library property. The Village agrees to carry adequate liability and structure insurance. A true and accurate account of the expenditures is kept by the library board and reported to the various municipalities from time to time, at least annually.

The following financial information of the joint venture is as of and for the year ending March 31, 2006:

Total Assets	\$ 373,611	Total Revenues	\$ 77,531
Total Liabilities	\$ 2	Total Expenditures	\$ 61,796
Total Net Assets	\$ 373,609	Increase (Decrease) in Net Assets	\$ 15,735
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ -

Complete financial statements of the individual joint ventures can be obtained from their respective offices or from the Clerk's office as follows:

Ambulance Board	Fire Board	Transfer and Recycling	Putnam District Library
Castleton Township	Castleton Township	Castleton Township	327 N Main
915 Reed	915 Reed	915 Reed	Nashville, MI 49073
Nashville, MI 49073	Nashville, MI 49073	Nashville, MI 49073	

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

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**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when cash is received by the Village.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

Taxes Receivable - The Village property tax is levied on each July 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 State taxable valuation of the Village totaled \$22,216,148 on which ad valorem taxes levied consisted of 8.7023 mills for Village operating purposes and 3.7836 mills for Village street operations, and .7567 mills for sidewalks, raising \$193,328 for operating, \$84,053 for street operations and \$16,807 for sidewalks. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2006 taxes collected and 2005 delinquent taxes collected in the current fiscal year.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(Continued)**

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.
- The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

Additionally, the government reports the following fund types:

- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Bank Deposits and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>. These taxes are due on August 31 with the final collection date of September 15. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Village are purchased by Barry County. These taxes have been recorded as deferred revenue in the fund financial statements for the current year since they are not available to fund expenditures of the current period.

Designated Assets - The Village has designated assets for police equipment, contingency and equipment. By designating a portion of fund balance for a specific purpose, the Village Council has established a policy that the amounts designated are to be used for a specific purpose. The Village Council can change the amounts so designated if they desire.

Restricted Assets - The Village has restricted assets for locally administered streets. By restricting a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for any other than locally administered streets and demolition. The revenue bonds of the enterprise funds require amounts to be set-aside for debt service principal and interest, capital improvements and a bond reserve. These amounts have been classified as restricted assets.

Retained Earnings Reserve - In the Sewer and Water System funds, certain amounts of the retained earnings are reserved for bond and interest redemption and capital improvements. The amounts of the reserves are established by bond ordinances. Any use of the reserve balances would be a violation of the bond ordinances.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

General Assets

Buildings	40 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years

Infrastructure Assets

Road	8 to 30 years
Sidewalks	10 to 30 years
Bridges	12 to 50 years
Drains, Curbs, Gutters	8 to 40 years

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Compensated Absences (Vacation and Sick Leave) - Vacation pay is earned by all full time employees according to the length of their employment and is available for use in the year following its accrual. Vacation time is paid at the employee's current pay rate and must be used in the year available. Upon termination of employment, employees will be paid for all unused vacation time.

Sick leave time is earned at the rate of ten days per year by full time employees. Unused sick leave benefits can accumulate to a maximum of 90 days. In addition, employees can earn three days bonus time off by limiting sick leave taken according to a sliding scale. Sick leave accrued is to be paid to the employees at the rate of \$10 per every eight hours of unused accumulated sick leave at the time of termination of employment for any reason.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operation of these funds.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village Boards prepares the annual budgets prior to February 28. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Nashville.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended February 28, 2007, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<b>FUND</b>	<b>BUDGET APPROPRIATION</b>	<b>ACTUAL EXPENDITURE</b>	<b>BUDGET VARIANCE</b>
General			
Public Safety			
Fire	\$ 32,875	\$ 36,875	\$ 4,000
Local Streets			
Public Works			
Street Routine Maintenance	\$ 33,720	\$ 33,810	\$ 90

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated two banks and one federal savings bank for the deposit of the Village of Nashville funds.

The Village retirement system's investments are held in trust by the investment fiduciary, Manufacturers Life Financial. Michigan Compiled Laws, Section 38.1132, authorizes the Village retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>FIDUCIARY FUNDS</b>	<b>TOTAL PRIMARY GOVERNMENT</b>
Cash and Cash Equivalents	\$ 522,445	\$ 136,828	\$ -	\$ 659,273
Investments	2,000	-	40,216	42,216
Restricted Assets	19,697	310,304	-	330,001
Total	<u>\$ 544,142</u>	<u>\$ 447,132</u>	<u>\$ 40,216</u>	<u>\$ 1,031,490</u>

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEPOSITS AND INVESTMENTS (Continued)**

The breakdown between deposits and investments is as follows:

Bank Deposits	\$ 985,114
(Checking and Savings Accounts, Certificates of Deposit)	
Investment in Securities	40,216
(Mutual Funds and Similar Vehicles)	
Petty Cash and Cash on Hand	<u>-</u>
 Total	 <u>\$ 1,025,330</u>

Custodial credit risk is the risk that the Village will not be able to recover its deposits in the event of financial institution failure. The Village's deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At February 28, 2007, the Village had deposits with a carrying amount of \$985,114 and a bank balance of \$1,001,059. Of the bank balance, \$233,429 is covered by federal depository insurance, \$767,630 is uninsured and \$0 is collateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<b><u>BEGINNING BALANCE</u></b>	<b><u>INCREASES</u></b>	<b><u>DECREASES</u></b>	<b><u>ENDING BALANCE</u></b>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 32,870	\$ -	\$ -	\$ 32,870
Land Improvements	<u>11,378</u>	<u>-</u>	<u>-</u>	<u>11,378</u>
Subtotal	<u>44,248</u>	<u>-</u>	<u>-</u>	<u>44,248</u>
Capital Assets Being Depreciated				
Buildings	298,948	10,870	-	309,818
Land Improvements	46,380	-	-	46,380
Furniture	26,496	-	-	26,496
Equipment	475,054	3,000	-	478,054
Data Processing Equipment	7,042	1,283	-	8,325
Infrastructure	<u>241,741</u>	<u>5,917</u>	<u>-</u>	<u>247,658</u>
Subtotal	<u>1,095,661</u>	<u>21,070</u>	<u>-</u>	<u>1,116,731</u>
Less Accumulated Depreciation for				
Buildings	52,588	6,623	-	59,211
Land Improvements	11,792	1,972	-	13,764
Furniture	9,359	2,256	-	11,615
Equipment	312,835	26,477	-	339,312
Data Processing Equipment	4,746	1,104	-	5,850
Infrastructure	<u>11,134</u>	<u>15,687</u>	<u>-</u>	<u>26,821</u>
Subtotal	<u>402,454</u>	<u>54,119</u>	<u>-</u>	<u>456,573</u>
Net Capital Assets Being Depreciated	<u>693,207</u>	<u>(33,049)</u>	<u>-</u>	<u>660,158</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 737,455</u>	<u>\$ (33,049)</u>	<u>\$ -</u>	<u>\$ 704,406</u>

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**CAPITAL ASSETS (Continued)**

	<b><u>BEGINNING BALANCE</u></b>	<b><u>INCREASES</u></b>	<b><u>DECREASES</u></b>	<b><u>ENDING BALANCE</u></b>
<b>Business-Type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 216,442	\$ -	\$ -	\$ 216,442
Construction in Progress	-	25,548	-	25,548
Subtotal	<u>216,442</u>	<u>25,548</u>	<u>-</u>	<u>241,990</u>
Capital Assets Being Depreciated				
Buildings	851,501	-	-	851,501
Equipment	268,726	-	-	268,726
Data Processing Equipment	4,409	-	-	4,409
Infrastructure	<u>7,768,404</u>	<u>95,284</u>	<u>-</u>	<u>7,863,688</u>
Subtotal	<u>8,893,040</u>	<u>95,284</u>	<u>-</u>	<u>8,988,324</u>
Less Accumulated Depreciation for				
Buildings	117,730	20,925	-	138,655
Equipment	121,332	19,394	-	140,726
Data Processing Equipment	1,723	882	-	2,605
Infrastructure	<u>3,174,590</u>	<u>177,590</u>	<u>-</u>	<u>3,352,180</u>
Subtotal	<u>3,415,375</u>	<u>218,791</u>	<u>-</u>	<u>3,634,166</u>
Net Capital Assets Being Depreciated	<u>5,477,665</u>	<u>(123,507)</u>	<u>-</u>	<u>5,354,158</u>
Business-Type Activities Total				
Capital Assets-Net of Depreciation	<u>\$ 5,694,107</u>	<u>\$ (97,959)</u>	<u>\$ -</u>	<u>\$ 5,596,148</u>

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**CAPITAL ASSETS (Continued)**

Depreciation expense was charged to programs of the Village as follows:

Governmental Activities	
General Government	\$ 6,012
Public Safety	5,868
Public Works	38,853
Recreation and Cultural	<u>3,386</u>
Total Government Activities	<u>\$ 54,119</u>
Business-Type Activities	
Water	\$ 105,203
Sewer	<u>113,587</u>
Total Business-Type Activities	<u>\$ 218,790</u>

**INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 26,494	Major Street	\$ 7,329
		Local Streets	7,554
		Locally Admin Streets	609
		Sewer System	5,198
		Water System	5,561
		Cemetery	<u>243</u>
	<u>\$ 26,494</u>		<u>\$ 26,494</u>
<u>FUND</u>	<u>TRANSFERS IN</u>	<u>FUND</u>	<u>TRANSFERS OUT</u>
General	\$ 95,513	General	\$ 155,513
Major Streets	40,000		
Local Streets	15,000		
Cemetery	<u>5,000</u>		
	<u>\$ 155,513</u>		<u>\$ 155,513</u>

The interfund receivables and payables represent money owed to the general fund for expenses paid by the general fund for the various other funds. Transfers were used to move revenues from the fund that is required to collect them to the fund where expenditures were expended and to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The following is a summary of the debt outstanding of the Village of Nashville as of February 28, 2007:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITION (REDUCTIONS)</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
Other Liabilities						
Compensated Absences	-	-	\$ 6,644	\$ 2,721	\$ 9,365	\$ 7,243
<b>Business-Type Activities</b>						
Revenue Bonds						
Water System - 1998	4.35 - 6.85%	2014	\$ 121,000	\$ (15,000)	\$ 106,000	\$ 16,000
Water System - 2001	2.50%	2022	845,000	(40,000)	805,000	40,000
Water System - 2001	4.75%	2041	774,000	(8,000)	766,000	9,000
Sewer System - 1998	4.60 - 7.00%	2020	430,000	(45,000)	385,000	50,000
Total Business-Type Activities			\$ 2,170,000	\$ (108,000)	\$ 2,062,000	\$ 115,000

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on long-term bonds outstanding for the primary government are as follows:

<u>Year End February 28</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 115,000	\$ 80,016
2009	120,000	75,441
2010	122,000	70,796
2011	128,000	65,790
2012	130,000	60,718
2013-2017	452,000	241,793
2018-2022	358,000	173,735
2023-2027	159,000	128,765
2028-2032	125,000	102,125
2033-2037	156,000	69,730
2038-2042	197,000	28,880
Total	\$ 2,062,000	\$ 1,097,789



**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 28, 2007**

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**RISK MANAGEMENT**

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member.

The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At February 28, 2007, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

**DEFERRED COMPENSATION PLAN**

On February 28, 1998, the Village adopted a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan permits all full-time employees to participate in the plan. The Village contributes 5% to 6%, depending on job description, of gross earnings for all eligible employees and the employee can contribute 5% to 6% of gross earnings, until the employee's termination, retirement, death or unforeseeable emergency.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The Village is serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. The Village's beneficial ownership of plan assets will be held for the further exclusive benefit of the plan for the exclusive benefit of participants and beneficiaries.

It is the opinion of the Village's legal counsel that the Village, as trustee, has no liability for plan losses but does have the duty of due care that would be required of an ordinary prudent investor.

The plan is administered by the Village's agent, Actuarial Benefit Administrators and funded through Scudder Investments.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**DEFERRED COMPENSATION PLAN (Continued)**

The plan's assets are included in the Village's Statement of Fiduciary Nets Assets in compliance with GASB Statement No. 32, "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of the Internal Revenue Code Section List". A summary of the activity in the plan for the year ended February 28, 2007, is as follows:

Balance - March 1, 2006	\$ 28,850
Contributions	9,776
Dividends	1,287
Net Investment Gain (Loss)	<u>303</u>
Balance - February 28, 2007	<u>\$ 40,216</u>

**VILLAGE OF NASHVILLE**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended February 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 360,626	\$ 360,626	\$ 360,626	\$ -
Resources (Inflows)				
Taxes and Penalties	291,800	304,009	304,129	120
Licenses and Permits	3,675	3,547	3,551	4
State Grants	193,650	191,039	188,742	(2,297)
Charges for Services	22,700	10,953	6,414	(4,539)
Fines and Forfeitures	1,000	3,695	3,741	46
Interest and Rentals	3,000	4,971	5,132	161
Other Revenue	<u>32,200</u>	<u>63,302</u>	<u>65,805</u>	<u>2,503</u>
Total Resources	<u>548,025</u>	<u>581,516</u>	<u>577,514</u>	<u>(4,002)</u>
Charges to Appropriations (Outflows)				
Legislative	21,600	30,574	30,513	61
General Government				
President	2,000	1,725	1,725	-
Clerk	32,050	31,213	31,183	30
Treasurer	7,740	8,100	8,096	4
Elections	1,000	3,500	3,165	335
Buildings and Grounds	7,000	5,500	4,948	552
Cemetery	5,000	7,979	7,951	28
Public Safety				
Police	159,015	177,252	175,084	2,168
Fire	32,875	32,875	36,875	(4,000)
Planning and Zoning	4,000	4,095	4,086	9
Public Works				
Sanitation	5,000	5,616	5,616	-
Garage and Maintenance	58,500	66,350	61,250	5,100
Sidewalk Replacement	40,600	-	-	-
Locally Administered Streets	26,200	42,600	40,750	1,850
Health and Welfare				
Ambulance	16,000	16,000	16,000	-
Recreational and Cultural				
Parks	23,000	22,535	22,286	249
Library	2,900	1,020	924	96
Other				
Insurance, Bonds and Fringes	27,800	55,232	54,249	983
Miscellaneous	2,170	2,418	2,323	95
Capital Outlay	<u>6,500</u>	<u>10,705</u>	<u>12,883</u>	<u>(2,178)</u>
Total Charges to Appropriations	<u>480,950</u>	<u>525,289</u>	<u>519,907</u>	<u>5,382</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)**  
**For the Year Ended February 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>67,075</u>	<u>56,227</u>	<u>57,607</u>	<u>1,380</u>
Other Financing Sources (Uses)				
Operating Transfers In	12,300	95,513	95,513	-
Operating Transfers (Out)	<u>(72,300)</u>	<u>(155,513)</u>	<u>(155,513)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>7,075</u>	<u>(3,773)</u>	<u>(2,393)</u>	<u>1,380</u>
Budgetary Fund Balance - February 28, 2007	<u>\$ 367,701</u>	<u>\$ 356,853</u>	<u>\$ 358,233</u>	<u>\$ 1,380</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**  
**For the Year Ended February 28, 2007**

	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
Beginning of Year Fund Balance	\$ 69,149	\$ 69,149	\$ 69,149	\$ -
Resources (Inflows)				
State Grants	95,000	90,930	91,951	1,021
Interest and Rentals	400	423	475	52
Other Revenue	<u>3,100</u>	<u>2,873</u>	<u>2,873</u>	<u>-</u>
Total Resources	<u>98,500</u>	<u>94,226</u>	<u>95,299</u>	<u>1,073</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	7,200	7,345	7,325	20
Street Routine Maintenance	23,000	25,605	25,384	221
Street Winter Maintenance	7,000	7,670	5,980	1,690
Traffic Services	200	155	154	1
Trees	6,100	6,965	6,855	110
Trunkline Maintenance	4,000	4,130	3,489	641
Street Construction	81,500	50	32	18
Fringes and Insurance	<u>9,500</u>	<u>10,800</u>	<u>9,956</u>	<u>844</u>
Total Charges to Appropriations	<u>138,500</u>	<u>62,720</u>	<u>59,175</u>	<u>3,545</u>
Excess of Resources Over (Under) Appropriations	<u>(40,000)</u>	<u>31,506</u>	<u>36,124</u>	<u>4,618</u>
Other Financing Sources (Uses):				
Operating Transfers In	40,000	40,000	40,000	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>-</u>	<u>71,506</u>	<u>76,124</u>	<u>4,618</u>
Budgetary Fund Balance - February 28, 2007	<u>\$ 69,149</u>	<u>\$ 140,655</u>	<u>\$ 145,273</u>	<u>\$ 4,618</u>

**VILLAGE OF NASHVILLE**  
**BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**  
**For the Year Ended February 28, 2007**

	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
Beginning of Year Fund Balance	\$ 137,155	\$ 137,155	\$ 137,155	\$ -
Resources (Inflows)				
State Grants	35,000	34,709	34,638	(71)
Interest and Rentals	500	600	629	29
Other Revenue	<u>3,000</u>	<u>2,923</u>	<u>2,923</u>	<u>-</u>
Total Resources	<u>38,500</u>	<u>38,232</u>	<u>38,190</u>	<u>(42)</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	7,300	7,450	7,447	3
Street Routine Maintenance	20,500	33,720	33,810	(90)
Street Winter Maintenance	7,000	7,400	5,456	1,944
Traffic Services	200	155	154	1
Trees	6,100	7,265	7,105	160
Street Construction	400	9,340	9,331	9
Fringes and Insurance	<u>10,000</u>	<u>11,900</u>	<u>11,081</u>	<u>819</u>
Total Charges to Appropriations	<u>51,500</u>	<u>77,230</u>	<u>74,384</u>	<u>2,846</u>
Excess of Resources Over (Under) Appropriations	<u>(13,000)</u>	<u>(38,998)</u>	<u>(36,194)</u>	<u>2,804</u>
Other Financing Sources (Uses):				
Operating Transfers In	15,000	15,000	15,000	
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>2,000</u>	<u>(23,998)</u>	<u>(21,194)</u>	<u>2,804</u>
Budgetary Fund Balance - February 28, 2007	<u>\$ 139,155</u>	<u>\$ 113,157</u>	<u>\$ 115,961</u>	<u>\$ 2,804</u>

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended February 28, 2007**

<b>REVENUES</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
Taxes and Penalties				
Property Taxes			\$ 301,029	
Collection Fees			3,100	
Total Taxes and Penalties	\$ 291,800	\$ 304,009	304,129	\$ 120
Licenses and Permits				
Cable TV Fees			1,688	
Liquor License Refund			1,863	
Total Licenses and Permits	3,675	3,547	3,551	4
State Grants				
Public Safety			713	
State Revenue Sharing:				
Sales Tax			188,029	
Total State Grants	193,650	191,039	188,742	(2,297)
Charges for Services				
Special Assessment - Sidewalks			2,307	
Police Security Contract			3,692	
Zoning Board Fees			415	
Total Charges for Services	22,700	10,953	6,414	(4,539)
Fines and Forfeitures	1,000	3,695	3,741	46
Interest and Rentals				
Interest			5,132	
Total Interest and Rentals	3,000	4,971	5,132	161
Other Revenue				
Miscellaneous			1,112	
Donations			2,523	
Refunds and Rebates			717	
Equipment Rental			61,453	
Total Other Revenue	32,200	63,302	65,805	2,503
Total Revenues	548,025	581,516	577,514	(4,002)

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 28, 2007**

<u>EXPENDITURES</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Legislative:</b>				
Salaries - Village Council			6,465	
Dues			790	
Education			414	
Legal Fees			20,929	
Audit Fees			<u>1,915</u>	
Total Legislative	<u>21,600</u>	<u>30,574</u>	<u>30,513</u>	<u>61</u>
<b>General Government:</b>				
Village President:				
Salary			<u>1,725</u>	
Total Village President	2,000	1,725	<u>1,725</u>	-
Village Clerk:				
Salary			16,855	
Supplies			5,453	
Transportation			53	
Printing and Postage			1,628	
Utilities			5,264	
Telephone			<u>1,930</u>	
Total Village Clerk	33,050	32,033	<u>31,183</u>	850
Treasurer:				
Salary			<u>8,096</u>	
Total Treasurer	7,740	8,100	<u>8,096</u>	4
Elections:				
Supplies			<u>3,165</u>	
Total Elections	1,000	3,500	<u>3,165</u>	335
Buildings and Grounds:				
Maintenance Wages			2,851	
Maintenance and Repairs			<u>2,097</u>	
Total Buildings and Grounds	7,000	5,500	<u>4,948</u>	552
Cemetery:				
Supplies			623	
Maintenance and Repairs			<u>7,328</u>	
Total Cemetery	<u>5,000</u>	<u>7,979</u>	<u>7,951</u>	<u>28</u>
Total General Government	<u>55,790</u>	<u>58,837</u>	<u>57,068</u>	<u>1,769</u>



**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 28, 2007**

<u>EXPENDITURES (Continued)</u>	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Public Safety:</b>				
Police:				
Salaries and Wages			118,615	
Fringes			22,969	
Supplies			6,504	
Telephone			3,209	
Education			1,600	
Utilities			1,932	
Auto			18,216	
Uniforms			996	
Miscellaneous			1,043	
Capital Outlay			1,283	
Total Police	164,515	178,537	<u>176,367</u>	2,170
Fire:				
Fire Board			25,000	
Hydrant Rental			11,875	
Total Fire	32,875	32,875	<u>36,875</u>	(4,000)
Planning and Zoning:				
Planning Board Wages			1,005	
Zoning and Board Wages			2,630	
Supplies			131	
Printing and Publishing			257	
Miscellaneous			63	
Total Planning and Zoning	<u>4,000</u>	<u>4,095</u>	<u>4,086</u>	<u>9</u>
Total Public Safety	<u>201,390</u>	<u>215,507</u>	<u>217,328</u>	<u>(1,821)</u>
<b>Public Works:</b>				
Sanitation:				
Transfer Station			5,616	
Total Sanitation	5,000	5,616	<u>5,616</u>	-
Garage and Maintenance:				
Wages			20,048	
Parts			22,761	
Gas and Oil			9,616	
Maintenance and Utilities			8,782	
Miscellaneous			43	
Capital Outlay			3,000	
Total Garage and Maintenance	58,500	66,350	<u>64,250</u>	2,100

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 28, 2007**

<b>EXPENDITURES (Continued)</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
<b>Public Works (Continued):</b>				
Sidewalk Replacement:				
Wages			-	
Contract Labor			-	
Total Sidewalk Replacement	40,600	-	-	-
Locally Administered Streets:				
Wages			4,028	
Fringes			2,414	
Christmas Lights			843	
Equipment Rental			3,496	
Street Lights			20,569	
Snow Removal			1,374	
Supplies			7,525	
Miscellaneous			501	
Total Locally Administered Streets	26,200	42,600	40,750	1,850
Total Public Works	130,300	114,566	110,616	3,950
<b>Health and Welfare:</b>				
Ambulance:				
Ambulance Board			16,000	
Total Ambulance	16,000	16,000	16,000	-
Total Health and Welfare	16,000	16,000	16,000	-
<b>Recreation and Cultural:</b>				
Parks:				
Wages			7,975	
Supplies			4,594	
Utilities			3,385	
Equipment Rental			6,332	
Total Parks	23,000	22,535	22,286	249
Library:				
Wages			252	
Maintenance and Repairs			672	
Capital Outlay			8,600	
Total Library	2,900	9,620	9,524	96
Total Recreation and Cultural	25,900	32,155	31,810	345

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 28, 2007**

<b>EXPENDITURES (Continued)</b>	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH AMENDED BUDGET</b>
<b>Other:</b>				
Insurance, Bonds and Fringes:				
Multi-Peril Insurance			11,831	
Christmas Bonus			575	
Social Security			15,222	
Unemployment			2,021	
Employee Insurance			49,263	
Pension			5,248	
Vacation, Holiday and Sick			9,022	
Workers Compensation Insurance			6,698	
	87,600	100,863	99,880	983
Less: Reimb. from Other Funds	(59,800)	(45,631)	(45,631)	-
Total Insurance, Bonds and Fringes	27,800	55,232	54,249	983
Miscellaneous:				
Miscellaneous			2,323	
Total Miscellaneous	2,170	2,418	2,323	95
Total Other	29,970	57,650	56,572	1,078
Total Expenditures	480,950	525,289	519,907	5,382
Excess of Revenues Over Expenditures	67,075	56,227	57,607	1,380
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	12,300	95,513	95,513	-
Operating Transfers Out	(72,300)	(155,513)	(155,513)	-
Total Other Financing Sources (Uses)	(60,000)	(60,000)	(60,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	7,075	(3,773)	(2,393)	1,380
Fund Balance-March 1, 2006	360,626	360,626	360,626	-
Fund Balance-February 28, 2007	\$ 367,701	\$ 356,853	\$ 358,233	\$ 1,380

**VILLAGE OF NASHVILLE  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
February 28, 2007**

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	<u>Lakeview Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 3,802	\$ -	\$ 3,802
Investments	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Assets	<u>\$ 5,802</u>	<u>\$ -</u>	<u>\$ 5,802</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Due to Other Funds	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 243</u>
Total Liabilities	<u>243</u>	<u>-</u>	<u>243</u>
Fund Equity			
Fund Balance			
Unreserved	<u>5,559</u>	<u>-</u>	<u>5,559</u>
Total Fund Equity	<u>5,559</u>	<u>-</u>	<u>5,559</u>
Total Liabilities and Fund Equity	<u>\$ 5,802</u>	<u>\$ -</u>	<u>\$ 5,802</u>

**VILLAGE OF NASHVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended February 28, 2007**

	<u>Lakeview Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Total</u>
Revenues			
Charges for Services	\$ 11,888	\$ -	\$ 11,888
Interest and Rentals	95	-	95
Other Revenue	<u>828</u>	<u>-</u>	<u>828</u>
Total Revenues	<u>12,811</u>	<u>-</u>	<u>12,811</u>
Expenditures			
General Government			
Cemetery			
Wages	12,174	-	12,174
Supplies	802	-	802
Utilities	452	-	452
Maintenance and Repairs	1,130	-	1,130
Contracted Services	2,077	-	2,077
Capital Outlay	2,270	-	2,270
Public Safety			
Supplies	<u>-</u>	<u>199</u>	<u>199</u>
Total Expenditures	<u>18,905</u>	<u>199</u>	<u>19,104</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,094)</u>	<u>(199)</u>	<u>(6,293)</u>
Other Financing Sources (Uses):			
Operating Transfer In	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,094)	(199)	(1,293)
Fund Balance-March 1, 2006	<u>6,653</u>	<u>199</u>	<u>6,852</u>
Fund Balance-February 28, 2007	<u>\$ 5,559</u>	<u>\$ -</u>	<u>\$ 5,559</u>

**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUND COMPARATIVE STATEMENTS OF NET ASSETS -**  
**SEWER FUND**  
**February 28, 2007 and 2006**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Cash and Cash Equivalents	\$ 43,643	\$ 68,698
Receivables (Net)		
Accounts	20,291	19,932
Connection Fees	-	2,121
Other	-	5,800
Restricted Assets	129,584	94,629
Capital Assets (Net of Accumulated Depreciation)	<u>2,627,317</u>	<u>2,715,357</u>
Total Assets	<u>\$ 2,820,835</u>	<u>\$ 2,906,537</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued Liabilities	\$ 6,265	\$ 6,955
Due to Other Funds	5,198	6,945
Bonds Payable	<u>385,000</u>	<u>430,000</u>
Total Liabilities	<u>396,463</u>	<u>443,900</u>
Net Assets		
Net Assets		
Investment in Capital Assets, Net of Related Debt	2,242,317	2,285,357
Restricted for Debt Service	129,584	94,629
Unrestricted	<u>52,471</u>	<u>82,651</u>
Total Net Assets	<u>2,424,372</u>	<u>2,462,637</u>
Total Liabilities and Net Assets	<u>\$ 2,820,835</u>	<u>\$ 2,906,537</u>

**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUND COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS - SEWER FUND**  
**For the Years Ended February 28, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for Services	\$ 180,197	\$ 176,052
Other Operating Revenue	<u>4,398</u>	<u>8,605</u>
Total Operating Revenues	<u>184,595</u>	<u>184,657</u>
Operating Expenses		
Administration	21,406	23,588
Salaries and Fringe Benefits	46,975	45,096
Supplies	12,462	15,647
Contractual Services	2,500	2,500
Maintenance and Repairs	9,834	6,143
Miscellaneous	124	191
Depreciation	<u>113,587</u>	<u>113,130</u>
Total Operating Expenses	<u>206,888</u>	<u>206,295</u>
Operating Income	<u>(22,293)</u>	<u>(21,638)</u>
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	3,468	4,958
Interest Expense	(19,440)	(21,510)
Loss on Disposal of Asset	<u>-</u>	<u>(3,242)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,972)</u>	<u>(19,794)</u>
Change in Net Assets	(38,265)	(41,432)
Net Assets-Beginning	<u>2,462,637</u>	<u>2,504,069</u>
Net Assets-Ending	<u>\$ 2,424,372</u>	<u>\$ 2,462,637</u>

**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUND COMPARATIVE STATEMENTS OF NET ASSETS -**  
**WATER FUND**  
**February 28, 2007 and 2006**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Cash and Cash Equivalents	\$ 93,185	\$ 101,029
Receivables (Net)		
Accounts	27,120	28,282
Connection Fees	1,487	4,357
Restricted Assets	180,720	178,728
Capital Assets (Net of Accumulated Depreciation)	<u>2,968,831</u>	<u>2,978,750</u>
Total Assets	<u>\$ 3,271,343</u>	<u>\$ 3,291,146</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued Liabilities	\$ 25,362	\$ 26,078
Due to Other Funds	5,561	3,974
Due to State of Michigan	1,347	-
Bonds Payable	<u>1,677,000</u>	<u>1,740,000</u>
Total Liabilities	<u>1,709,270</u>	<u>1,770,052</u>
Net Assets		
Net Assets	.	
Investment in Capital Assets, Net of Related Debt	1,291,831	1,238,750
Restricted for Debt Service	180,720	178,728
Unrestricted	<u>89,522</u>	<u>103,616</u>
Total Net Assets	<u>1,562,073</u>	<u>1,521,094</u>
Total Liabilities and Net Assets	<u>\$ 3,271,343</u>	<u>\$ 3,291,146</u>



**VILLAGE OF NASHVILLE**  
**PROPRIETARY FUND COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS - WATER FUND**  
**For the Years Ended February 28, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for Services	\$ 256,687	\$ 259,458
Other Operating Revenue	<u>13,394</u>	<u>13,191</u>
Total Operating Revenues	<u>270,081</u>	<u>272,649</u>
Operating Expenses		
Administration	21,062	18,048
Salaries and Fringe Benefits	68,527	76,009
Supplies	15,750	14,853
Contractual Services	2,500	2,500
Maintenance and Repairs	11,141	10,829
Miscellaneous	764	472
Depreciation	<u>105,203</u>	<u>105,203</u>
Total Operating Expenses	<u>224,947</u>	<u>227,914</u>
Operating Income	<u>45,134</u>	<u>44,735</u>
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	1,688	1,685
Interest Expense	<u>(62,890)</u>	<u>(64,937)</u>
Total Nonoperating Revenues (Expenses)	<u>(61,202)</u>	<u>(63,252)</u>
Income (Loss) Before Contributions and Transfers	(16,068)	(18,517)
Capital Contributions	<u>57,047</u>	<u>-</u>
Change in Net Assets	40,979	(18,517)
Net Assets-Beginning	<u>1,521,094</u>	<u>1,539,611</u>
Net Assets-Ending	<u>\$ 1,562,073</u>	<u>\$ 1,521,094</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Nashville  
Barry County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Nashville, as of and for the year ended February 28, 2007, which collectively comprise the Village of Nashville's basic financial statements and have issued our report thereon dated May 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Nashville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Nashville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Nashville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Nashville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Nashville's financial statements that is more than inconsequential will not be prevented or detected by the Village of Nashville's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Nashville's internal control. We consider the deficiency described below to be a material weakness in internal control over financial reporting.

- The collections of water and sewer billings were not being reconciled with water and sewer billing deposits on a monthly basis. The Village of Nashville has put controls in place to ensure collections are being deposited in a timely fashion.

Each month, computerized collection reports should be reconciled to deposits to ensure all collections were deposited into the bank. We found collections were not being deposited in tact nor reconciled to deposits on a

monthly basis. This resulted in a significant amount of unidentified cash held at the Village Hall. This occurred due to a lack of control for reconciling collections and deposits

We recommend collections and deposits are reconciled on a monthly basis. In addition, cash on hand is balanced with the monthly computer reports. Management has put controls in place to correct this and the Village is reconciling on a monthly basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Nashville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance of other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
May 18, 2007

Walker, Fluke & Shulday, PLLC



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To the Village Council  
Village of Nashville  
Barry County, Michigan

In planning and performing our audit of the financial statements of the Village of Nashville as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Nashville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Our consideration of internal control included procedures to evaluate the design and of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Water and sewer billing collections were not being reconciled with water and sewer bank deposits on a monthly basis. Village of Nashville has put controls in place to ensure collections and deposits are being reconciled in a timely manner.
- The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the board of trustees of Village of Nashville and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
May 18, 2007

*Walker, Fluke & Sheldon, PLC*